

## Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 EA-09 ISO-00 IO-14 PA-02 PRS-01  
NEA-10 AID-05 CIAE-00 COME-00 EB-07 FRB-01 INR-07  
NSAE-00 USIA-15 XMB-04 OPIC-06 SP-02 LAB-04  
EPG-02 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01  
H-02 L-03 /134 W

-----064263 060403Z /16

R 060235Z JUL 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 1952

INFO USMISSION EC BRUSSELS

AMEMBASSY JAKARTA

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USADB

FOR NAC AGENCIES

E.O. 11652: N/A

TAGS: EAID, EFIN, ID

SUBJ: ADB TECHNICAL ASSISTANCE TO INDONESIA FOR BALI IRRIGATION  
PROJECT

SUMMARY: ADB PRESIDENT HAS APPROVED \$100,000 TECHNICAL  
ASSISTANCE (TA) GRANT TO GOVT OF INDONESIA FOR FORMULATION OF  
AN IRRIGATION PROJECT ON ISLAND OF BALI. PROJECT TO BE FORMU-  
LATED MAY INCLUDE INFRASTRUCTURE FACILITIES AND SOCIAL  
SERVICES, AND WILL INVOLVE PREPARATION OF A FIRST PHASE  
PROJECT AT FEASIBILITY LEVEL FOR EARLY DEVELOPMENT. TA WILL  
BE FINANCED BY EUROPEAN ECONOMIC COMMUNITY UNDER FINANCING  
ARRANGEMENTS CONCLUDED BETWEEN BANK AND EEC ON 7 JAN 1977.  
END SUMMARY.

1. ADB DOC. R65-77 DESCRIBING SUBJECT TA POUCHED ADDRESSEES  
ON JULY 5.

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2. GOVT HAS ACCORDED HIGH PRIORITY TO DEVELOPMENT OF  
INDONESIA'S AGRICULTURAL SECTOR. AS RESULT OF VARIOUS  
PROGRAMS, CULTIVATED AREA INCREASED FROM 4.0 MILLION HA.  
IN 1963 TO 4.8 MILLION IN 1973, AVERAGE PADDY YIELD FROM  
1.76 M.T./HA. IN 1967 TO 2.58 M.T./HA. IN 1975, AND RICE  
PRODUCTION FROM 9.0 MILLION M.T. IN 1967 TO 15.3 MILLION

M.T. IN 1975. NEVERTHELESS, COUNTRY IS FAR FROM SELF-SUFFICIENT IN FOOD AND IMPORTS MORE THAN 1.0 MILLION M.T. OF RICE ANNUALLY. IN CONTINUING EFFORT TO REDUCE FOOD GAP, REPELITA II (SECOND FIVE YEAR PLAN BEGINNING MAY 1974) CALLS FOR AGRICULTURAL EXPENDITURES OF \$2.5 BILLION (19 PERCENT OF PLAN TOTAL), OF WHICH IRRIGATION ACCOUNTS FOR \$1.2 BILLION. PLAN AIMS AT FURTHER INCREASE IN IRRIGABLE AREAS FROM 4.8 MILLION HA. IN 1973/74 TO 5.6 MILLION HAS. IN 1978/79, TOTAL RICE PRODUCTION OF 18.2 MILLION M.T. IN SAME YEAR.

3. BALI, A DENSELY POPULATED AND RELATIVELY LESS-DEVELOPED AREA IN INDONESIA, HAS 0.3 PERCENT OF COUNTRY'S LAND AREA AND 1.8 PERCENT OF POPULATION. WHILE CLIMATE AND SOIL CONDITIONS ARE GENERALLY SUITABLE FOR AGRICULTURE, ONLY A SMALL AREA CAN BE PLANTED TO PADDY DURING BALI'S LONG DRY SEASON WITHOUT IRRIGATION. EXISTING IRRIGATION FACILITIES HAVE BEEN CONSTRUCTED BY COMMUNAL IRRIGATION ASSOCIATIONS CALLED SUBAKS USING OWN LABOR AND RESOURCES. THEIR EFFORTS, HOWEVER, DO NOT PREVENT MUCH OF AVAILABLE SURFACE WATER BEING WASTED, RESULTING IN WIDE VARIATIONS IN ANNUAL HARVESTS. SUBSTANTIAL BENEFITS WOULD ACCRUE FROM REHABILITATION OF PERMANENT IRRIGATION FACILITIES COMPLEMENTED BY SUPPORTING AGRICULTURAL FACILITIES.

4. MASTER PLAN STUDY ON WATER AND LAND RESOURCE DEVELOPMENT  
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MENT OF BALI HAS BEEN CARRIED OUT UNDER TECHNICAL ASSISTANCE FROM UNITED KINGDOM (UK), WHICH INCLUDED ADVANCED STUDIES ON CERTAIN PRIORITY AREAS. BANK PROJECT IDENTIFICATION MISSION, WHICH VISITED INDONESIA IN JAN 1977, CONCLUDED THAT WHILE PROJECT IDENTIFIED BY UK STUDY APPEARED TO BE PRIMA FACIE TECHNICALLY FEASIBLE AND SOCIALLY AND ECONOMICALLY JUSTIFIABLE, ADDITIONAL STUDIES WOULD BE NECESSARY FOR DETAILED PREPARATION OF VIABLE PROJECT.

5. OBJECTIVES OF TA ARE TO FORMULATE A VIABLE PROJECT, TAKING INTO ACCOUNT APPROPRIATE PHASING, INVOLVING IRRIGATION DEVELOPMENT IN BALI WITH POSSIBLE INCLUSION OF INFRASTRUCTURE FACILITIES AND SOCIAL SERVICES; AND TO PREPARE A FIRST PHASE PROJECT AT FEASIBILITY LEVEL FOR EARLY DEVELOPMENT. TA WILL REQUIRE SERVICES OF THREE CONSULTANTS FOR TOTAL OF 16 MAN-MONTHS, CONSISTING OF: ENGINEER/TEAM LEADER (6 MAN-MONTHS); AGRO-ECONOMIST (5); AGRONOMIST (5). STUDY IS EXPECTED REQUIRE SIX MONTHS STARTING FROM JULY 1977. IN VIEW SMALL NUMBER OF EXPERTS REQUIRED, CONSULTANTS WILL BE SELECTED PREFERABLY ON INDIVIDUAL BASIS. ALSO, IN VIEW PREPARATORY WORK ALREADY

UNDERTAKEN BY GOVT ON SOCIAL INFRASTRUCTURE FACILITIES,  
NO SPECIAL EXPERTISE IN THIS AREA IS REQUIRED. CONSULTANTS  
WILL ASSIST IN COORDINATING AND INCORPORATING THESE ELE-  
MENTS IN PROJECT AS APPROPRIATE.

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6. TOTAL COST OF STUDY IS ESTIMATED AT \$130,000 EQUIV-  
ALENT, OF WHICH \$100,000 FOREX. EUROPEAN ECONOMIC COM-  
MUNITY (EEC) HAS AGREED TO FINANCE FOREX COSTS UNDER  
TERMS OF THE \$1.875 MILLION FINANCING AGREEMENT BETWEEN  
BANK AND EEC AGREED TO ON 7 JAN 1977. GOVT HAS AGREED  
TO FINANCE LOCAL CURRENCY COSTS ESTIMATED AT \$30,000.

7. EXECUTING AGENCY FOR TA WILL BE DIRECTORATE GENERAL  
OF WATER RESOURCES DEVELOPMENT (DGWRD) UNDER MINISTRY OF  
PUBLIC WORKS AND ELECTRIC POWER. DGWRD HAS BEEN EXECUT-  
ING AGENCY FOR ALL BANK-FINANCED FLOOD CONTROL AND IRRIGA-  
TION PROJECTS IN INDONESIA AND ITS PERFORMANCE HAS BEEN  
SATISFACTORY.

8. PROJECT TO BE FORMULATED WILL BE COMPOSED MAINLY OF  
IRRIGATION DEVELOPMENT WITH NECESSARY INTEGRATION OF, IF  
JUSTIFIED, SUCH COMPONENTS AS FARM ROADS, AGRI-  
CULTURAL DEVELOPMENT ACTIVITIES, REFORESTATION, AND  
SOCIAL SERVICES. GOVT HAS PROPOSED, AS DEVELOPMENT  
AREAS, ABOUT 52,000 WIDELY SCATTERED HECTARES, WITH WORK  
TO CONSIST BOTH OF CONSTRUCTION OF NEW IRRIGATION  
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FACILITIES AND REHABILITATION AND IMPROVEMENT OF SUBAK SYSTEMS. REQUIREMENT FOR PHASING IS CONSEQUENCE OF LARGE SCOPE OF DEVELOPMENT AND VARIOUS STAGES OF TA REQUIRED FOR SUBPROJECTS. GOVT HAS ALREADY SUGGESTED THAT FOUR SUBPROJECTS BE GIVEN EARLY PRIORITY (INCLUSION IN FIRST PHASE) OWING TO ADVANCED STAGE OF PREPARATION AND SOCIO-ECONOMIC CONSIDERATIONS, NAMELY: PALASARI, BALIAN, PULUKAN AND SABAH.

9. COST OF PHASE I OF POSSIBLE FUTURE PROJECT, WHICH WOULD COVER ROUGHLY 20,000 HA., IS TENTATIVELY ESTIMATED AT \$30 MILLION OF WHICH \$10 MILLION FOREX. NO ESTIMATE YET AVAILABLE CONCERNING PHASE II.

10. PROJECT TO BE FORMULATED UNDER TA WOULD INCREASE AVERAGE PADDY YIELD FROM 3.4 TO 4.1 M.T./HA. IN AFFECTED AREAS, AND WOULD RESULTS IN EXPANSION OF AREAS OF PADDY FIELDS, ESPECIALLY THOSE SUITABLE FOR DOUBLE-CROPPING. EMPLOYMENT GENERATION AND SOCIO-ECONOMIC BENEFITS TO POPULATION COULD ALSO BE ANTICIPATED.

11. ADB PRESIDENT HAS APPROVED SUBJECT TA UNDER TERMS OF PARA. 17 OF ADB DOC. R51-77, DATED 20 MAY 1977 (TECHNICAL ASSISTANCE OPERATIONS), ACCORDING TO WHICH TA GRANTS IN AMOUNTS NOT EXCEEDING \$100,000 NEED NOT BE SUBMITTED FOR BOARD APPROVAL. THIS IS THE FIRST CASE OF EEC-FINANCED TA FALLING WITHIN PRESIDENT'S DELEGATED APPROVAL AUTHORITY.  
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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009